

1120 follow-up 1/31/82

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EP/EO DIVISION  
GROUP 730  
IRS ST. LOUIS

OCT 19 1981

APR 30 1982

Dear Sir or Madam:

Your application for exemption from Federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code has been given consideration.

The information submitted discloses that you were incorporated under the nonprofit laws of the State of [REDACTED] on [REDACTED].

Your purposes, briefly stated, are to promote business opportunities for the members through mutual cooperation and serve as a reference group for business contacts between the members. Membership is limited to one person, firm, or business entity in each of approximately 100 classifications of trade, craft, professions or business. Each member is required to submit to the Leads Committee a weekly quota of leads or business referrals, for the promotion of business opportunities for other members.

Section 501(a) of the Internal Revenue Code of 1954 provides for the exemption of certain organizations described in subsection 501(c).

"(6) Business leagues, chambers of commerce, real-estate boards, boards of trade, or professional football leagues (whether or not administering a pension fund for football players), which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual."

Section 1.501(c)(6)-1 of the Income Tax Regulations provides, in part, as follows:

"A business league is an association of persons having some common business interest, the purpose of which is to promote such common interest---. It is an organization of the same general type as a chamber of commerce or board of trade. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.---"

Revenue Ruling 59-391, Cumulative Bulletin 1959-2, page 151, provides a similar situation to the facts of Omaha Executive Association. In that Ruling, exempt status under Section 501(c)(6) was denied because activities were not directed to the improvement of business conditions of one or more lines of business, but rather to the promotion of the private interests of its members.

Based on information submitted, it appears that your activities are not directed to the improvement of business conditions of one or more lines of business. Your activities principally promote the individual business interests of your limited membership.

We have concluded that you do not qualify for exemption from Federal income tax as an organization described in Section 501(c)(6) of the Internal Revenue Code. Accordingly, you are required to file income tax returns on Form 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this proposed adverse determination letter, appeal to the Regional Office through this Key District Office. Your appeal should contain the information described under Regional Office Appeal in the enclosed Publication 892, and should be mailed to this office. The Regional Office will let you know what action they take, and will set a date and place for any conference to be held. If a written protest is not received within the above time period this determination letter will be final.

This is a determination letter.

Sincerely yours,

Signed [REDACTED]

[REDACTED]  
District Director

Enclosure  
Publication 892